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Canada

Poultry and Products

Annual

2004

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Report Highlights:

On August 18, 2004 the Canadian Food Inspection Agency lifted all remaining movement restrictions on birds, bird products and bird by-products in British Columbia's Fraser Valley and declared an end to the avian influenza response operation which began on February 19, 2004. Exports of U.S. poultry meat to Canada were sharply higher in the first six months of 2004 reflecting the shortfall in Canadian supplies caused by the avian influenza crisis in British Columbia. For 2005, Canadian chicken output is forecast to rebound and show moderate increase while turkey output is expected to remain flat.

Includes PSD Changes: Yes
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Table of Contents

Executive Summary	3
Section I. Broiler Chicken.....	4
Tariff Rate Quotas/Imports	5
Exports.....	5
Marketing	5
Chicken Utilization	5
U.S. Poultry Meat Export Growth	5
Section II. Policy.....	6
Chicken Industry Structure.....	6
Policy Developments	6
WTO Position of the Poultry Sector.....	6
Section II. Turkey	7
TRQ/Imports	7

Executive Summary

- Canadian poultry meat production experienced a setback in early 2004 when on February 19, 2004, the Canadian Food Inspection Agency (CFIA) confirmed the presence of avian influenza in the Fraser Valley area of southern British Columbia. Two weeks later, the finding was confirmed to be the highly pathogenic strain. As a result, the CFIA ordered the depopulation of all premises in the control zone. B.C.'s share of national poultry and egg output is approximately 16% for chicken, 11% for turkey and 12 % for eggs. Products from the control area represent about 80 per cent of the B.C. poultry industry.
- Although all premises in the high-risk region were eligible to begin restocking as of July 9, 2004, the crisis significantly impacted Canadian poultry and egg production potential. On August 18, 2004 the CFIA declared an end to the avian influenza response operation and lifted all movement restrictions on birds, and bird products.
- Exports of U.S. poultry to Canada were sharply higher in the first six months of 2004 reflecting the shortfall in Canadian supplies caused by the avian influenza crisis in British Columbia. The GOC initiated a special supplementary import provision to facilitate additional imports during the domestic production shortfall.
- Canada recognized the poultry meat inspection system of Brazil on August 2002, but initially very little Brazilian product had been imported. However, during the first six months of 2004, Canada imported almost 9,000 metric tons of frozen chicken from Brazil.
- After Russia, Canada is the second most important export market for U.S. poultry meat. In 2003, U.S. poultry meat exports to Canada reached a record \$268 million, accounting for almost 15% of total U.S. poultry meat exports to the world (Russia, 21%).
- Canada's poultry and egg producers remain cautious about the WTO negotiating framework on agriculture. They believe the agreement was an improvement over previous version, but still maintain serious concerns. The group was pleased with the elimination of the notion of mandatory cuts in over-quota tariffs.

Section I. Broiler Chicken

Canadian chicken production in the first seven months of 2004 fell about 2.3% from the same period a year earlier due entirely to the AI outbreak which shut down the major production region in British Columbia. All other provinces posted production gains during the period partly as a result of a Chicken Farmers of Canada policy to increase production in other regions to help offset the B.C. shortfall.

All premises in the high-risk region of B.C. were eligible to begin restocking as of July 9, 2004 and production in that province is expected to rebound during the latter half of 2004. On balance, post speculates that total Canadian chicken output for the year will fall to an estimated 920,000 metric tons, about 1% short of last years' level. For 2005, national production is forecast to recover to the 938,000-940,000 metric ton range.

Country	Canada					
Commodity	Poultry, Meat, Broiler					
	(1000 MT)(MIL HEAD)					
	2003	Revised	2004	Estimate	2005	Forecast
	USDA Official [Estimate [DA	Official [Estimate [DA	Official [Estimate [f
Market Year Begin	01/2003		01/2004		01/2005	
Inventory (Reference)	0	0	0	0	0	0
Slaughter (Reference)	0	0	0	0	0	0
Beginning Stocks	31	29	28	24	27	24
Production	915	929	930	920	0	938
Whole, Imports	1	1	1	8	0	2
Parts, Imports	84	74	89	82	0	76
Intra EC Imports	0	0	0	0	0	0
Other Imports	0	0	0	0	0	0
TOTAL Imports	85	75	90	90	0	78
TOTAL SUPPLY	1031	1033	1048	1034	27	1040
Whole, Exports	5	5	5	10	0	5
Parts, Exports	80	74	85	60	0	70
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
TOTAL Exports	85	79	90	70	0	75
Human Consumption	918	930	931	940	0	945
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	918	930	931	940	0	945
TOTAL Use	1003	1009	1021	1010	0	1020
Ending Stocks	28	24	27	24	0	20
TOTAL DISTRIBUTION	1031	1033	1048	1034	0	1040

Trade

Imports: In the Jan-June period of 2004, total Canadian chicken imports were 20% higher than during the first six months of 2003 reflecting the avian influenza related shortfall in British Columbia and the GOC's special provision for supplementary imports into British Columbia (see CA4024 and CA4025).

Tariff Rate Quotas/Imports

Canada recognized the poultry meat inspection system of Brazil on August 2002 (see CA2088), but initially very little Brazilian product had been imported. However, during the first six months of 2004, Canada imported almost 9,000 metric tons of frozen chicken from Brazil. The global access to Canada's chicken market is determined by a NAFTA formula of 7.5% of the previous year's Canadian production of chicken as published by Statistics Canada. Based on this formula, Canada's chicken tariff rate quota (TRQ) is 69,698 metric tons for 2004. Imports of broiler chicken cuts, fresh or frozen above the TRQ, are assessed an over access duty of ranging from 238% to 249%. However, the NAFTA agreement recognizes a supplementary import system which allows additional imports (at zero duty) when Canadian supplies fail to meet market demand. In addition, Canada's DFAIT allows special imports of chicken (at the duty free rate) for Canadian processors who are manufacturing chicken products for re-export and to processors who manufacture processed chicken items and items containing chicken that are not subject to a TRQ (i.e., similar products of U.S. manufacture which enter Canada duty free). The latter being known as the FTA or non-Import Control List allocation holders.

Exports

Total Canadian chicken exports in the January-June period of 2004 were down more than 20% as a result of the effects of the avian influenza crisis in British Columbia. Exports to the United States accounted for about 40% of total, while Canadian chicken exports to formerly important markets such as Russia, South Africa, and Cuba fell sharply.

Canadian chicken exports to Cuba, formerly the third most important export market for Canadian chicken, declined sharply following the opening of the Cuban market to U.S. chicken in 2002. By 2003, Canadian exports of chicken to Cuba fell to 4,000 metric tons from 7,200 metric tons in 2002 and from 17,000 metric tons during 2001.

Marketing

Canadian importers of chicken must be in possession of an import permit issued by the Department of Foreign Affairs and International Trade. Further information on TRQ product coverage and a listing of the import allocation holders is available on the DFAIT website at: <http://www.dfait-maeci.gc.ca/trade/eicb/agric/chicken-en.asp>

Chicken Utilization

The Further Poultry Processors Association of Canada, the organization representing manufacturers of value-added poultry products, estimates Canadian chicken utilization shares by sector for 2001 as: retail, 65%; fast food, 22%; other restaurants and taverns, 8%, and hotels and institutions, 5%.

U.S. Poultry Meat Export Growth

After Russia, Canada is the second most important export market for U.S. poultry meat. In 2003, U.S. poultry meat exports to Canada reached a record \$268 million, accounting for almost 15% of total U.S. poultry meat exports to the world (Russia accounted for 21%). The value of U.S. poultry meat exports to Canada during 2004 is expected to increase sharply due to increased demand for U.S. poultry products in British Columbia brought about by the avian influenza crisis in that province and the eradication control measures.

Section II. Policy

Chicken Industry Structure

The report CA2112 contains a summary of the structure of Canada's chicken industry including a discussion of the production allocation periods and the Chicken Farmers of Canada's (CFC) export policy. That summary remains current.

Policy Developments

WTO Position of the Poultry Sector

The Supply Management Five (SM5) is a group of producers consisting of the Dairy Farmers of Canada, the Broiler Hatching Egg Marketing Agency, the Canadian Egg Marketing Agency, the Canadian Turkey Marketing Agency, and Chicken Farmers of Canada. This group of producers share common interests and has developed a unified position on agriculture within the context of the upcoming round of the World Trade Organization's negotiations on international trade and current agricultural negotiations. They continue to lobby the GOC to work toward preserving their domestic supply-managed marketing structures for turkey, chicken, egg and dairy products and to preserve the power to regulate the volume of domestic product marketed, to operate a central desk selling agency and to pool returns.

Section II. Turkey

Canadian turkey production was not significantly affected by the avian influenza outbreak in British Columbia in early 2004. Only a few turkey establishments were reported to be in the eradication control zone. The 2004 national outlook is for stable production near the 147,000 metric ton level. Total consumption has been steady in recent years in the 130,000-135,000 metric tons range resulting in per capita disappearance heading lower given the Canadian population increase.

Country	Canada					
Commodity	Poultry, Meat, Turkey					
	(1000 MT)		(MIL HEAD)			
	2003	Revised	2004	Estimate	2005	Forecast
	USDA Official	Estimate	DA Official	Estimate	DA Official	Estimate
Market Year Begin	01/2003		01/2004		01/2005	
Inventory (Reference)	0	0	0	0	0	0
Slaughter (Reference)	0	0	0	0	0	0
Beginning Stocks	14	14	10	16	10	14
Production	145	148	147	147	0	147
Whole, Imports	0	0	0	0	0	0
Parts, Imports	8	8	8	8	0	9
Intra EC Imports	0	0	0	0	0	0
Other Imports	0	0	0	0	0	0
TOTAL Imports	8	8	8	8	0	9
TOTAL SUPPLY	167	170	165	171	10	170
Whole, Exports	0	0	0	0	0	0
Parts, Exports	14	21	14	22	0	25
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
TOTAL Exports	14	21	14	22	0	25
Human Consumption	143	133	141	135	0	133
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	143	133	141	135	0	133
TOTAL Use	157	154	155	157	0	158
Ending Stocks	10	16	10	14	0	12
TOTAL DISTRIBUTION	167	170	165	171	0	170

TRQ/Imports

Similar to chicken, U.S. access to Canada's turkey market is determined by a NAFTA formula (3.5% of the targeted turkey production announced by the Canadian Turkey Marketing Agency). For 2004, the turkey TRQ is 5,588 metric tons. For turkey meat, the over access tariff rates for 2002 range between 154.5% and 165% but supplementary imports at zero duty are allowed under certain supply circumstances. Similar to the chicken industry, there are provisions to operate the special supplementary import categories, the "import to re-export" program and the "import to compete" program. Canadian importers of turkey must be in possession of an import permit issued by the Department of Foreign Affairs and International Trade. Further information on TRQ product coverage and a listing of the import allocation holders is available on the DFAIT website at:
<http://www.dfait-maeci.gc.ca/trade/eicb/agric/turkey-en.asp>

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